Rural Energy Savings Act
Rural Energy Savings Program Reauthorization

The Rural Energy Savings Program (RESP) is due for reauthorization in the upcoming Farm Bill. The program provides no-interest loans to rural utilities (including electric cooperatives) and related entities to establish or expand relending programs that offer affordable financing to consumers for cost-effective energy upgrades to their homes and businesses. RESP was first created by the 2014 Farm Bill and reauthorized in 2018.

As part of the reauthorization, the Rural Energy Savings Act (RESA) seeks to improve RESP by making it more accessible and attractive for rural utilities and related entities. RESA would make several limited but important improvements to RESP and help rural utilities maximize the benefits for participating households by:

- Providing limited grant funding to rural utilities and related entities to offset administrative and program costs, including repairs to improved properties.
- Extending the maximum repayment term for loans to consumers to up to 20 years to match the cost-effectiveness and useful life of more measures.
- Expanding eligibility to households to entire rural utility service territories even if some areas are non-rural.
- Codifying the ability of "green banks" and related entities to access RESP based on an update to eligibility guidance issued by the Rural Utilities Service in 2020.
- Codifying manufactured housing as an eligible improvement based on appropriations text adopted in recent fiscal years.

The Congressional Budget Office has preliminarily determined that the proposed changes would not affect direct spending or revenues over the 2023-2033 period. RESA would leave RESP's authorization at $75 million per year, the same level it was authorized at in the 2014 and 2018 Farm Bills.

RESP has already helped thousands of rural households live more comfortably and reduce their energy costs, saving money even while repaying the loan. The program is particularly effective for rural families who do not qualify for weatherization assistance but lack the resources to invest in insulation or other improvements by themselves. The proposed policy changes would help more rural utilities and related entities provide these energy benefits to a greater share of their members and customers.

RESP Background Information

- The Rural Energy Savings Program is administered by the Rural Utilities Service (RUS).
- RESP provides no-interest loans to rural utilities (including electric cooperatives) and related entities to make loans to establish or expand programs that offer affordable financing to consumers for cost-effective energy efficiency, renewable energy, and electrification improvements. Commonly-financed improvements include air sealing, insulation, new space conditioning systems, and new water heaters.
- Improvements are made at no upfront cost to the participating customer and repaid over up to 10 years through a utility bill line-item. This gives more rural families access to home energy improvements that lower bills and improve home comfort.

- RESP borrowers may relend the funds to participating customers at interest rates of up to five percent. Each project is required to be determined to be cost-effective within the loan repayment term, financing charges included. Many RESP borrowers set their relending rates at 3 percent or less.
- Since 2016, the USDA Rural Utilities Service has made at least 37 RESP loan awards worth nearly $300 million to utilities in 18 states: Arkansas, Colorado, Georgia, Hawaii, Indiana, Michigan, Montana, Nebraska, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington, and Wisconsin.
- Utilities and other eligible entities apply for RESP funds by first submitting a letter of intent (LOI) to RUS. LOIs are reviewed on a rolling first-come, first-served basis. If the LOI is approved, the utility has 90 days to submit a full application.
- RUS leverages RESP appropriations with its broader lending authority, using the funds as a credit subsidy to buy interest rates down to zero. At current interest rates, this process allows RUS to create a RESP lending pool that is approximately ten times larger than its appropriation.